

*Financial Report*

*Lafourche Parish Hospital Service District No. 2*

*September 30, 2012*



Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

**APR 17 2013**

Release Date \_\_\_\_\_

**Bourgeois Bennett**  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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September 30, 2012

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## **FINANICAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners,  
Lafourche Parish Hospital Service District No. 2,  
Raceland, Louisiana

We have audited the accompanying balance sheets of Lafourche Parish Hospital Service District No. 2 (the "District"), a component unit of the Lafourche Parish Council, as of September 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafourche Parish Hospital Service District No. 2, as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana.  
March 11, 2013.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Lafourche Parish Hospital Service District No. 2**

For the years ended September 30, 2012 and 2011

The accounting staff of the Lafourche Parish Hospital Service District No. 2 (the "District") is responsible for the overview and analysis of the financial activities of the District for the years ended September 30, 2012 and 2011. The explanations provided are designed to introduce the financial highlights and offer an overview of the financial statements.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and facts known to date. This narrative includes financial analysis of revenues, expenses, and changes in the net assets. Further detail offers readers a financial analysis of the District's funds. We encourage readers to consider the information presented here in conjunction with the financial statements presented in this report.

### **REQUIRED FINANCIAL STATEMENTS**

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board ("GASB") accounting principles. These financial statements offer short-term and long-term financial information about the District's activities.

The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of assets and the obligations as of the balance sheet dates. They also provide the basis for evaluating the capital structure of the District and assessing the liquidity of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its rent revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operating, investing, and financing activities and to provide information as where the inflows of cash are derived from what were the outflows of cash used for, and what the change in the cash balance was during the fiscal year.

## **CAPITAL ASSETS**

Capital assets include land, improvements to land, buildings, vehicles, machinery and equipment, and all other tangible assets that are used in operations and that exceed the District's capitalization threshold explained in Note 1d, Exhibit D. The District has capitalized all general capital assets.

## **OTHER INFORMATION**

### *Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit D of this report.

## **FINANCIAL ANALYSIS OF THE DISTRICT**

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the healthcare industry and general economic conditions should also be considered.

## **2012 FINANCIAL HIGHLIGHTS**

The following summarizes the District's financial highlights for the years ended September 30, 2012 and 2011.

The District recognized operating revenues of \$35,290 in 2012 as compared to \$31,995 in 2011.

Total operating expenses for 2012 were \$384,824 for 2012 as compared to \$363,065 for 2011 which included \$236,991 of depreciation in 2012 and \$220,032 of depreciation for 2011.

Non-operating revenues for 2012 were \$309,324 for 2012 as compared to \$346,722 for 2011 which included \$233,057 of tax proceeds for 2012 and \$221,257 of tax proceeds for 2011.

The District recognized a change in net assets of \$(40,210) in 2012 as compared to \$15,652 in 2011.

## **2011 FINANCIAL HIGHLIGHTS**

The following summarizes the District's financial highlights for the years ended September 30, 2011 and 2010.

The District recognized operating revenues of \$31,995 in 2011 as compared to \$32,717 in 2010.

(Continued)

### **2011 FINANCIAL HIGHLIGHTS (Continued)**

Total operating expenses for 2011 were \$363,065 for 2011 as compared to \$337,002 for 2010 which included \$220,032 of depreciation in 2011 and \$206,544 of depreciation for 2010.

Non-operating revenues for 2011 were \$346,722 for 2011 as compared to \$344,033 for 2010 which included \$221,257 of tax proceeds for 2011 and \$203,266 of tax proceeds for 2010.

District recognized a change in net assets of \$15,652 in 2011 as compared to \$39,748 in 2010.

### **BALANCE SHEETS**

The District's condensed Balance Sheets as of September 30, 2012, 2011 and 2010 consist of the following:

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>
Total current assets	\$ 606,966	\$ 523,420	\$ 83,546	15.96%
Capital assets, net	2,844,691	3,035,810	(191,119)	-6.30%
Other assets	8,191,088	8,119,234	71,854	0.88%
Total assets	<u>\$ 11,642,745</u>	<u>\$ 11,678,464</u>	<u>\$ (35,719)</u>	-0.31%
Total current liabilities	\$ 24,756	\$ 20,265	\$ 4,491	22.16%
Net assets	<u>11,617,989</u>	<u>11,658,199</u>	<u>(40,210)</u>	-0.34%
Total liabilities and net assets	<u>\$ 11,642,745</u>	<u>\$ 11,678,464</u>	<u>\$ (35,719)</u>	-0.31%

As shown above, 2012 total assets decreased by \$35,719, or .31%, to \$11,642,745 as of September 30, 2012 from \$11,678,464 as of September 30, 2011.

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Change</u>
Total current assets	\$ 523,420	\$ 1,118,060	\$ (594,640)	-53.18%
Capital assets	3,035,810	2,555,842	479,968	18.78%
Other assets	8,119,234	8,001,846	117,388	1.47%
Total assets	<u>\$ 11,678,464</u>	<u>\$ 11,675,748</u>	<u>\$ 2,716</u>	0.02%
Total current liabilities	\$ 20,265	\$ 33,201	\$ (12,936)	-38.96%
Net assets	<u>11,658,199</u>	<u>11,642,547</u>	<u>15,652</u>	0.13%
Total liabilities and net assets	<u>\$ 11,678,464</u>	<u>\$ 11,675,748</u>	<u>\$ 2,716</u>	0.02%



(Continued)

**BALANCE SHEETS (Continued)**

As shown on the previous page, 2011 total assets decreased by \$2,716, or .021%, to \$11,678,464 as of September 30, 2011 from \$11,675,748 as of September 30, 2010.

**CURRENT ASSETS**

**2012**

The increase in current assets resulted from an increase of \$83,546 in cash.

**2011**

The decrease in current assets resulted from a decrease in short-term investments. The short-term investments of approximately \$520,000 were sold during the year and converted to cash. The additional cash was needed to fund capital expenditures of \$700,000 during 2011. In addition, accrued interest receivable of approximately \$970,000 was converted to notes receivable upon the renegotiation of a new note receivable in 2011. For financial statement purposes, the new note receivable and accrued interest were reclassified to a non-current asset as of September 30, 2010.

**CAPITAL ASSETS**

The components of the District's capital assets as of September 30, 2012, 2011 and 2010 consist of the following:

	September 30,		
	2012	2011	2010
Land	\$ 68,523	\$ 68,523	\$ 68,523
Land improvements	334,395	309,253	309,253
Buildings	11,433,879	11,313,149	10,669,156
Equipment	1,732,495	3,815,914	7,769,003
Subtotal	13,569,292	15,506,839	18,815,935
Less accumulated depreciation	(10,724,601)	(12,571,029)	(16,304,086)
Construction in progress	-	100,000	43,993
Net capital assets	<u>\$ 2,844,691</u>	<u>\$ 3,035,810</u>	<u>\$ 2,555,842</u>

(Continued)

**CAPITAL ASSETS (Continued)**

**2012**

During year ended September 30, 2012, the District completed approximately \$25,000 of land improvements and \$20,000 of building renovations. Annual depreciation expense for 2012 and 2011 was \$236,991 and \$220,032, respectively.

Deletions in 2012 consisted of approximately \$2,083,000 of fully depreciated equipment removed from capital assets based on an inventory of assets.

**2011**

During year ended September 30, 2011, the District invested \$600,000 in Specialty Clinic improvements and \$100,000 into lobby renovations. The lobby renovations, which are reported as construction in progress, have not been completed as of September 30, 2011. Net capital assets have increased as the District has enhanced existing facilities. Annual depreciation expense for 2011 was \$220,032 and \$206,544 in 2010.

Deletions in 2011 consisted of approximately \$3,950,000 of fully depreciated equipment removed from capital assets based on an inventory of assets.

More information about the District's capital assets is presented in the notes to the financial statements.

**OTHER ASSETS**

**2012**

The increase in other assets was the result of accruing \$71,854 of interest income on the note receivable

**NET ASSETS**

The components of the District's net assets as of September 30, 2012, 2011 and 2010 consist of the following:

	September 30,		
	2012	2011	2010
Invested in capital assets	\$ 2,844,691	\$ 3,035,810	\$ 2,555,842
Unrestricted	8,773,298	8,622,389	9,086,705
Total	<u>\$ 11,617,989</u>	<u>\$ 11,658,199</u>	<u>\$ 11,642,547</u>

(Continued)

**NET ASSETS (Continued)**

**2012**

For the year ended September 30, 2012, total net assets decreased \$40,210, or .34%, as a result of expenses exceeding revenues. Of the District's \$11,617,989 and \$11,658,199 in net assets as of September 30, 2012 and 2011, respectively, \$2,844,691 and \$3,035,810, respectively, were not spendable because these amounts are invested in capital assets.

**2011**

For the year ended September 30, 2011, total net assets increased \$15,562, or .13%, as a result of expenses exceeding revenues. Of the District's \$11,658,199 and \$11,642,547 in net assets as of September 30, 2011 and 2010, respectively, \$3,035,810 and \$2,555,842, respectively, were not spendable because these amounts are invested in capital assets.

**STATEMENTS OF REVENUE AND EXPENSES**

A summary of the District's revenues and expenses as of September 30, 2012, 2011 and 2010 consist of the following:

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>
Operating revenues:				
Rental income	\$ 31,995	\$ 31,995	\$ -	0.00%
Miscellaneous revenue	3,295	-	3,295	100.00%
Total operating revenues	<u>35,290</u>	<u>31,995</u>	<u>3,295</u>	10.30%
Operating expenses:				
Depreciation	236,991	220,032	16,959	7.71%
Insurance	8,078	8,078	-	0.00%
Legal and professional fees	25,611	21,380	4,231	19.79%
Other operating expenses	106,796	104,046	2,750	2.64%
Supplies and other	7,348	9,529	(2,181)	-22.89%
Total operating expenses	<u>384,824</u>	<u>363,065</u>	<u>21,759</u>	5.99%
Loss from operations	(349,534)	(331,070)	(18,464)	5.58%
Non-operating income	<u>309,324</u>	<u>346,722</u>	<u>(37,398)</u>	-10.79%
Revenue in excess of expenses (expenses in excess of revenue)	<u>\$ (40,210)</u>	<u>\$ 15,652</u>	<u>\$ (55,862)</u>	-356.90%

(Continued)

**STATEMENTS OF REVENUE AND EXPENSES (Continued)**

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Change</u>
Operating revenues:				
Rental income	\$ 31,995	\$ 32,295	\$ (300)	-0.93%
Miscellaneous revenue	-	422	(422)	100.00%
Total operating revenues	<u>31,995</u>	<u>32,717</u>	<u>(722)</u>	-2.21%
Operating expenses:				
Depreciation	220,032	206,544	13,488	6.53%
Insurance	8,078	8,078	-	0.00%
Legal and professional fees	21,380	26,307	(4,927)	-18.73%
Other operating expenses	104,046	88,950	15,096	16.97%
Supplies and other	<u>9,529</u>	<u>7,123</u>	<u>2,406</u>	33.78%
Total operating expenses	<u>363,065</u>	<u>337,002</u>	<u>26,063</u>	7.73%
Loss from operations	(331,070)	(304,285)	(26,785)	8.80%
Non-operating income	<u>346,722</u>	<u>344,033</u>	<u>2,689</u>	0.78%
Revenue in excess of expenses	<u>\$ 15,652</u>	<u>\$ 39,748</u>	<u>\$ (24,096)</u>	-60.62%

**OPERATING REVENUE**

**2012**

During 2012, the District earned operating revenue of \$31,995 from the rental of building space to a medical related company and miscellaneous revenue of \$3,295. The District earned \$31,995 of rent revenue from the same company in 2011.

**2011**

During 2011, the District earned operating revenue of \$31,995 from the rental of building space to a medical related company. The District received \$31,995 of rent revenue from the same company in 2010 and miscellaneous rent revenue of \$300.

## **OPERATING EXPENSES**

### **2012**

During 2012, the District incurred operating expenses of \$384,824 which was an increase of \$21,759 from the prior year total of \$363,065. The majority of the expense is made up of depreciation which increased \$16,959 from \$220,032 in 2011 to \$236,991 in 2012. The overall increase also includes the increase of legal and professional fees expense of \$4,231 and the increase of other operating expenses of \$2,750. These increases were offset by a decrease in supplies and other of \$2,181.

### **2011**

During 2011, the District incurred operating expenses of \$363,065 which was an increase of \$26,063 from the prior year total of \$337,002. The majority of the expense is made up of depreciation which increased \$13,488 from \$206,544 in 2010 to \$220,032 in 2011. The overall increase also includes the increase of other operating expenses of \$15,096. These increases were offset by a decrease in legal and professional fees of \$4,927

## **NON-OPERATING INCOME**

### **2012**

Non-operating income consists of proceeds from ad valorem taxes and interest income. Interest income is earned on the notes receivable balance. The overall decrease includes a decrease in interest income on the notes receivable balance of \$45,533. This decrease was offset by an increase in tax proceeds of \$11,800.

### **2011**

Interest income was earned on the notes receivable balance and on the cash and short-term investments held for part of the year. The overall non-operating revenues remained steady with only a slight increase of \$2,689.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

While the annual budget of the District is not presented within these financial statements, the District's management considered many factors when setting the fiscal year 2012 and 2011 budgets. Although the financial outlook for the District appears to be positive, the primary areas of importance in setting the 2013 budget are the status of the operating leases, healthcare environment, and other environmental factors such as:

**ECONOMIC FACTORS AND NEXT YEAR'S (Continued)**

- Cost of Supplies
- Cost of Legal and Professional Fees
- Anticipated Community Health Fair Expenses
- Interest Rate Fluctuations
- Property Tax Trends

**CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

This financial report is designated to provide citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the Districts' accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's administration.

**BALANCE SHEETS****Lafourche Parish Hospital Service District No. 2**  
Raceland, Louisiana

September 30, 2012 and 2011

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash	\$ 606,716	\$ 523,170
Other current assets	<u>250</u>	<u>250</u>
Total current assets	<u>606,966</u>	<u>523,420</u>
<b>Capital Assets, net</b>	<u>2,844,691</u>	<u>3,035,810</u>
<b>Other Assets</b>		
Note receivable	8,028,777	8,028,777
Interest receivable	<u>162,311</u>	<u>90,457</u>
Total other assets	<u>8,191,088</u>	<u>8,119,234</u>
Total assets	<u><u>\$ 11,642,745</u></u>	<u><u>\$ 11,678,464</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	<u>\$ 24,756</u>	<u>\$ 20,265</u>
<b>Net Assets</b>		
Invested in capital assets	2,844,691	3,035,810
Unrestricted net assets	<u>8,773,298</u>	<u>8,622,389</u>
Total net assets	<u>11,617,989</u>	<u>11,658,199</u>
Total liabilities and net assets	<u><u>\$ 11,642,745</u></u>	<u><u>\$ 11,678,464</u></u>

See notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

**Lafourche Parish Hospital Service District No. 2  
Raceland, Louisiana**

For the years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Rental income	\$ 31,995	\$ 31,995
Miscellaneous revenue	<u>3,295</u>	<u>-</u>
Total operating revenues	<u>35,290</u>	<u>31,995</u>
<b>Operating Expenses</b>		
Depreciation	236,991	220,032
Insurance	8,078	8,078
Legal and professional fees	25,611	21,380
Other operating expenses	106,796	104,046
Supplies and other	<u>7,348</u>	<u>9,529</u>
Total expenses	<u>384,824</u>	<u>363,065</u>
Loss from operations	<u>(349,534)</u>	<u>(331,070)</u>
<b>Non-Operating Revenues</b>		
Interest income	4,413	8,078
Interest income - notes receivable	71,854	117,387
Tax proceeds	<u>233,057</u>	<u>221,257</u>
Total non-operating revenues	<u>309,324</u>	<u>346,722</u>
<b>Change in Net Assets</b>	(40,210)	15,652
<b>Net Assets</b>		
Beginning of year	<u>11,658,199</u>	<u>11,642,547</u>
End of year	<u><u>\$ 11,617,989</u></u>	<u><u>\$ 11,658,199</u></u>

See notes to financial statements.



**STATEMENTS OF CASH FLOWS****Lafourche Parish Hospital Service District No. 2**  
Raceland, Louisiana

For the years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from operating activities	\$ 35,290	\$ 31,995
Payments to suppliers	<u>(143,342)</u>	<u>(155,969)</u>
Net cash used in operating activities	<u>(108,052)</u>	<u>(123,974)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Ad valorem taxes	<u>233,057</u>	<u>221,257</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(45,872)	(700,000)
Investment income	4,413	1,788
Sale of short-term investments	<u>-</u>	<u>532,980</u>
Net cash used in investing activities	<u>(41,459)</u>	<u>(165,232)</u>
<b>Net Increase (Decrease) in Cash</b>	83,546	(67,949)
<b>Cash</b>		
Beginning of year	<u>523,170</u>	<u>591,119</u>
End of year	<u><u>\$ 606,716</u></u>	<u><u>\$ 523,170</u></u>
<b>Supplemental Disclosure of Non-Cash Investing Activities</b>		
Accrued interest converted to notes receivable	<u>\$ -</u>	<u>\$ 973,832</u>
Accrued interest on notes receivable	<u>\$ 71,854</u>	<u>\$ 117,387</u>
Interest on short-term investments	<u>\$ -</u>	<u>\$ 6,290</u>

**Exhibit C**  
**(Continued)**

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Loss From Operations to Net</b>		
<b>Cash Provided by (Used in) Operating Activities</b>		
Loss from operations	\$ (349,534)	\$ (331,070)
Adjustments to reconcile loss from operations		
to net cash used in operating activities		
Depreciation	236,991	220,032
Increase (decrease) in accounts payable	<u>4,491</u>	<u>(12,936)</u>
Net cash used in operating activities	<u>\$ (108,052)</u>	<u>\$ (123,974)</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Lafourche Parish Hospital Service District No. 2**

September 30, 2012 and 2011

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Reporting Entity**

Lafourche Parish Hospital Service District No. 2 (the "District"), is an acute care facility created pursuant to Louisiana Revised Statutes. Effective May 1, 2006, the District and Ochsner Bayou L.L.C. ("Ochsner") entered into a Special Services Agreement as more fully described in Note 5.

The administration of the District is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Council is the financial reporting entity for Lafourche Parish. The financial reporting entity consists of (a) the primary government ("Council"), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations Are a Component Unit - an Amendment of GASB Statement No. 14*, established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a. Reporting Entity (Continued)**

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the governmental entity and the potential component unit.
4. Imposition of will by the governmental entity on the potential component unit.
5. Financial benefit/burden relationship between the governmental entity and the potential component unit.

Because the Lafourche Parish Council appoints all of the members of the District's governing board and has the ability to impose its will on the District, the District was determined to be a component unit of the Lafourche Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Lafourche Parish Council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Based on the criteria described above, the District has no component units.

**b. Accounting Standards**

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by Board designation, other arrangements under trust agreements, or with third-party payors. There were no cash equivalents as of September 30, 2012 and 2011.

**d. Capital Assets, Net**

The District records all capital asset acquisitions at cost, except for assets donated to the District. Donated assets are recorded at fair value at the date of donation. The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. The District's policy is to capitalize acquisitions over \$500.

Maintenance, repairs and minor replacements and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Reserves*, management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital asset occurs.

**e. Net Assets**

Net assets represent the difference between assets and liabilities. Net asset classifications are defined as follows:

*Net Assets Invested in Capital Assets, Net of Related Debt* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

*Restricted Net Assets* - Net assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There were no restricted net assets as of September 30, 2012 and 2011.

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e. Net Assets (Continued)**

*Unrestricted Net Assets* - This component of net assets reports net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", as described above. Unrestricted net assets are for the use of the District's operations.

The District first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

**f. Costs of Borrowings**

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized. There were no interest costs or interest earned related to borrowed funds for the years ended September 30, 2012 and 2011.

**g. Proprietary Fund Accounting**

The District utilizes the proprietary fund method of accounting whereby the activity is accounted for on a flow of economic resources measurement focus. Revenue and expenses are recognized on the accrual basis wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Substantially all revenues and expenses are subject to accrual.

**h. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Non-Direct Response Advertising**

The District expenses advertising costs as incurred. The District incurred advertising costs of \$726 and \$1,346 for the years ended September 30, 2012 and 2011, respectively.

**j. New Pronouncements**

**Governmental Accounting Standards Board Statement No. 60**

GASB Statement No. 60, *Accounting and Financial Reporting for Service Arrangements*, addresses how to account for and report service concession arrangements. The Statement provides guidance on whether the governmental entity or the private operator should report capital assets in its financial statements. Statement 60 is effective for the fiscal year 2013.

**Governmental Accounting Standards Board Statement No. 62**

During the fiscal year ended September 30, 2011, the District applied early implementation of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. All governmental entities must adopt GASB Statement No. 62 by fiscal year 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the AICPA Committee on Accounting Procedure

**Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued March 11, 2013, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**l. Reclassifications**

During 2011, \$95,216 previously reported as Due from Ochsner St. Anne has been reclassified to capital assets. The reclassification recognizes building improvements paid by the District which were determined not to be reimbursable by Ochsner. Net assets invested in capital assets was increased by \$95,216 while unrestricted net assets was decreased.

**Note 2 - CASH AND INVESTMENTS**

The District reports cash and investments utilizing GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain disclosures of investment risks related to credit risk, concentration of credit risk and interest rate risk associated with interest-bearing investments. Such disclosures required by GASB Statement No. 40 and applicable to the District are reflected below.

*Bank Deposits:*

Louisiana State Law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes Federal Deposits Insurance Corporation (FDIC) insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision, or with an unaffiliated bank or a trust company for the account of the political subdivision.

The year-end balances of deposits are as follows:

	2012		2011	
	Bank Balances	Reported Amount	Bank Balances	Reported Amount
Cash	<u>\$ 606,925</u>	<u>\$ 606,716</u>	<u>\$ 523,380</u>	<u>\$ 523,170</u>



**Note 2 - CASH AND INVESTMENTS (Continued)**

*Bank Deposits: (Continued)*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have written deposit policy for custodial credit risk beyond the requirements of the state statute. As of September 30, 2012 and 2011, \$192,470 and \$188,058 of the District's bank balance of \$606,925 and \$523,380, respectively, was exposed to custodial credit risk. As of September 30, 2012, these deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department not in the District's name.

As of September 30, 2012 and 2011, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the depositors. The Governmental Accounting Standards Board, which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

*Investments:*

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The District did not report investments in the described securities as of September 30, 2012 and 2011.

**Exhibit D**  
**(Continued)**

**Note 3 - CAPITAL ASSETS**

Capital asset activity as of and for the years ended September 30, 2012 and 2011, is as follows:

	September 30, 2011	Additions	Transfers and Disposals	September 30, 2012
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Construction in progress	100,000	-	(100,000)	-
Total capital assets not being depreciated	<u>168,523</u>	<u>-</u>	<u>(100,000)</u>	<u>68,523</u>
Capital assets, being depreciated:				
Land improvements	309,253	25,142	-	334,395
Buildings	11,313,149	120,730	-	11,433,879
Equipment	3,815,914	-	(2,083,419)	1,732,495
Total capital assets being depreciated	<u>15,438,316</u>	<u>145,872</u>	<u>(2,083,419)</u>	<u>13,500,769</u>
Less accumulated depreciation for:				
Land improvements	261,790	16,715	-	278,505
Buildings	8,564,314	212,519	-	8,776,833
Equipment	3,744,925	7,757	(2,083,419)	1,669,263
Total accumulated depreciation	<u>12,571,029</u>	<u>236,991</u>	<u>(2,083,419)</u>	<u>10,724,601</u>
Total capital assets, being depreciated, net	<u>2,867,287</u>	<u>(91,119)</u>	<u>-</u>	<u>2,776,168</u>
Capital assets, net	<u>\$ 3,035,810</u>	<u>\$ (91,119)</u>	<u>\$ (100,000)</u>	<u>\$ 2,844,691</u>

**Exhibit D  
(Continued)**

**Note 3 - CAPITAL ASSETS (Continued)**

	September 30, 2010	Additions	Transfers and Disposals	September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Construction in progress	43,993	100,000	(43,993)	100,000
Total capital assets not being depreciated	112,516	100,000	(43,993)	168,523
Capital assets, being depreciated:				
Land improvements	309,253	-	-	309,253
Buildings	10,669,156	600,000	43,993	11,313,149
Equipment	7,769,003	-	(3,953,089)	3,815,914
Total capital assets being depreciated	18,747,412	600,000	(3,909,096)	15,438,316
Less accumulated depreciation for:				
Land improvements	245,885	15,905	-	261,790
Buildings	8,374,578	189,736	-	8,564,314
Equipment	7,683,623	14,391	(3,953,089)	3,744,925
Total accumulated depreciation	16,304,086	220,032	(3,953,089)	12,571,029
Total capital assets, being depreciated, net	2,443,326	379,968	43,993	2,867,287
Capital assets, net	<u>\$ 2,555,842</u>	<u>\$ 479,968</u>	<u>\$ -</u>	<u>\$ 3,035,810</u>

**Note 4 - INCOME TAXES**

The District is a governmental unit, registered as a not-for-profit corporation and is exempt from Federal income taxes on related income.

**Note 5 - SPECIAL SERVICES AGREEMENT**

Effective May 1, 2006, the District entered into a Special Services Agreement (SSA) with Ochsner Bayou L.L.C. (Ochsner). The SSA provides that the District retains certain powers incident to its purposes as a hospital service district; that Ochsner shall at all times operate the facilities in conformity with the standards performance of the Joint Commission for the Accreditation of Healthcare Organizations; that Ochsner shall provide various management services; that Ochsner cannot discontinue services without

**Note 5 - SPECIAL SERVICES AGREEMENT (Continued)**

the approval of the District; that Ochsner and the District must agree on the hospital's strategic plan; and, that Ochsner shall be entitled to bill and collect for all services performed at the hospital facilities. The SSA has an initial term of fifteen years with provisions for two additional fifteen year terms.

In accordance with the SSA, the District and Ochsner have entered into a lease agreement to facilitate the continuation of the provision of high quality health care services to residents of its district. The District leases (i) tracts of land; (ii) all buildings, structures, fixtures, and improvements; (iii) servitudes; (iv) all equipment, machinery, fixtures, and other items of property. The initial term of the lease is fifteen years, with provisions for two additional fifteen year terms.

During the initial term of the lease, Ochsner shall pay to the District base rent in the amount of \$4.6 million for the use of the premises, which shall be due and payable on the last day of the initial term of the lease. In addition to the base rent, Ochsner shall accumulate an obligation to make capital expenditures for capital improvements to the hospital facilities in an amount not less than 35% of the first \$1 million of Adjusted Operating EBITDA, as defined, and not less than 50% of amounts in excess of \$1 million of Adjusted Operating EBITDA. Ochsner's obligation for capital improvements is not to exceed \$15 million in the aggregate.

Ochsner shall be entitled to credits against its initial rent obligation for all expenditures made to (i) implement program enhancements; (ii) make permanent capital improvements in excess of \$1 million; (iii) install or improve permanent information technology systems; and, (iv) maintain and upgrade hospital facilities in equipment but only in the case of that such costs are permitted to be capitalized in accordance with accounting principles generally accepted in the United States of America. Credits are also available for other items as defined in the agreement. For years ended September 30, 2012 and 2011, no rental income was recognized on the SSA due to the aforementioned credits, which were in excess of the base rent.

An Annex to the lease agreement provides for the sale, by the District to Ochsner, of certain assets, tangible and intangible, used in the operation of the hospital facilities and all related business operations of the District. As consideration for the sales of the assets, Ochsner agreed to pay the District an amount equal to its outstanding bond indebtedness. This amount totaled \$3 million. In addition, Ochsner agreed to pay the District an amount equal to the working capital, of the hospital facilities and the other business operations of the District, as of the Closing Date as defined in the Annex to the Lease Agreement. This additional amount will be paid in accordance with the terms of the working capital note that is discussed in Note 6.

**Note 6 - WORKING CAPITAL NOTE**

As discussed in Note 5, the District received a working capital note from Ochsner Bayou, L.L.C. The principal balance on the note as of September 30, 2011 was \$7,054,945. On December 31, 2010, the note was amended and the note balance was increased to \$8,028,777 which included the original principal balance plus all accrued unpaid interest of \$973,832. The aggregate principal amount of the working capital note outstanding bears interest at a rate per annum equal to the 5 Year Yield Tax Exempt Insured Revenue Bond Rate published by Bloomberg on the first day of the calendar month. The principal amount of this working capital note, together with all interest then accrued hereon, is due and payable in full on May 1, 2016. As of September 30, 2012 and 2011, accrued interest totaled \$162,311 and \$90,457, respectively.

**Note 7 - LEASES**

In February 2009, the District entered into an agreement to lease the St. Anne Home Health Building to Louisiana HomeCare of Raceland L.L.C., under a noncancelable operating lease with a term of five years, with an annual lease of \$31,995, payable in equal monthly installments of \$2,666. Rental income received under this agreement totaled \$31,995, for both the years ended September 30, 2012 and 2011.

Future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2013	\$ 31,995
2014	\$ 10,665

**Note 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,  
Lafourche Parish Hospital Service District No. 2,  
Raceland, Louisiana.

We have audited the accompanying financial statements of Lafourche Parish Hospital Service District No. 2 (the "District") as of and for the year ended September 30, 2012, and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting, that we consider to be material weakness, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as 12-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana.  
March 11, 2013.



## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana**

For the year ended September 30, 2012

#### **Section I - Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_ yes    X no
- Significant deficiency (ies) identified?                      X yes    \_\_\_ none reported

Noncompliance material to financial statements noted?    \_\_\_ yes    X no

##### **b) Federal Awards**

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$500,000 during the year ended September 30, 2012 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

#### **Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

##### **12-01 Preparation of Financial Statements and Disclosures**

**Criteria** - Adequate internal controls in relation to financial reporting require the District to have the ability to prepare its own financial statements in accordance with accounting principles generally accepted in the United States of America, including all required footnote disclosures, or detect misstatements or errors in statements prepared by others.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Internal Control Over Financial Reporting (Continued)**

**12-01 Preparation of Financial Statements and Disclosures (Continued)**

**Condition** - Financial statements and required disclosures were prepared by the auditors.

**Cause** - The management of the District has not determined a need for a financial person to prepare the financial statements and related disclosures for cost-benefit reasons.

**Effect** - The independent auditor cannot be part of the District's internal control over financial reporting.

**Recommendation** - Management and those charged with governance can mitigate the control weakness in the preparation of financial statements and related disclosures by carefully reviewing the financial statements, including disclosures.

**Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical** - None.

**Compliance and Other Matters**

There were no findings noted during the audit of the year ended September 30, 2012 related to compliance and other matters.

**Section III - Federal Award Findings and Questioned Costs**

Not applicable.

## **REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Lafourche Parish Hospital Service District No. 2**

For the year ended September 30, 2012

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

###### **11-01 Preparation of Financial Statements and Disclosures**

**Recommendation** - It was recommended that management and those charged with governance can mitigate the control weakness in the preparation of financial statements and related disclosures by carefully reviewing the financial statements, including disclosures.

**Management's Corrective Action** - Unresolved - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles. (See 12-01).

###### **11-02 Capital Assets**

**Recommendation** - It was recommended that the detailed schedule of capital assets is reviewed on a regular basis and the general ledger be adjusted for any disposed assets

**Management's Corrective Action** - Resolved - Management reviewed the schedule of capital assets on a regular basis and adjusted the general ledger for any disposed assets.

(Continued)

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended September 30, 2011.

**Section II - Internal Control and Compliance Material To Federal Awards**

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$500,000 during the year ended September 30, 2011 and, therefore, was exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organization*.

**Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended September 30, 2011.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Lafourche Parish Hospital Service District No. 2**

For the year ended September 30, 2012

#### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

###### **12-01 Preparation of Financial Statements and Disclosures**

**Recommendation** - Management and those charged with governance can mitigate the control weakness in the preparation of financial statements and related disclosures by carefully reviewing the financial statements, including disclosures.

**Management's Corrective Action** - Management and those charged with governance will carefully review audited financial statements and related disclosures. For cost benefit reasons, management will rely on the independent auditor to identify related disclosures and prepare the financial statements in accordance with generally accepted accounting principles.

##### **Compliance and Other Matters**

No compliance findings material to the financial statements were noted during the audit for the year ended September 30, 2012.

#### **Section II - Internal Control and Compliance Material To Federal Awards**

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$500,000 during the year ended September 30, 2012 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended September 30, 2012.